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National
Home Center News ®

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Top 5 Scoreboard

The recession didn't deter the 1991 sales performance of the industry's leaders, all but one of which also reported earnings gains.

Company	Sales ($Bil.)	% Gain
Home Depot	$5.1	35
Lowe's	$3.1	8
Payless Cashways	$2.39	7.7
Builders Square	$2.05	8.4
HomeClub	$1.4	7.4

For details, see pages 2-4.

Payless plans renewed expansion

Stock offering should permit first new stores since LBO

by Gary S. Ruderman

KANSAS CITY, Mo. — As a by-product of its decision to become a publicly owned company again, Payless Cashways will restart an expansion program that's been on hold since 1988.

Payless plans to add a "few" stores in 1993 to its current total of 195, and open six to 10 annually beginning in 1994, said David Stanley, Payless' chairman, late last month.

Before it suspended new store growth because of a leveraged buyout in 1988, Payless had been adding 19 stores a year since 1984, many through acquisition.

The company will put stores in new and existing markets, according to a preliminary prospectus for Payless' initial public offering of 33.5 million shares of common stock issued Feb. 21. The company intends to offer the stock in April.

By expanding in existing markets, Payless acknowledged it might cannibalize, or take sales from, stores already in those areas.

Payless believes the same market expansion will make shopping its stores more convenient for local customers, and boost margins by reducing costs for management, distribution and advertising.

The company didn't reveal where it's looking to grow in its filing with the Securities and Exchange Commission last month or in follow-up interviews. Payless needs 12 to 15 months to open a new store at an average capital investment of $5 million each.

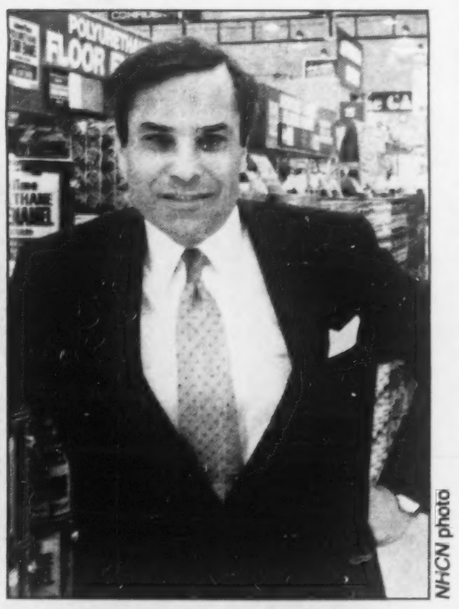
For the year ended Nov. 30, 1991, Payless' sales rose by 7.7 percent to $2.39 billion.

Its stores, which are concentrated in Texas, Indiana, Col-

(Continued on page 46)

Pergament deal a sweet one for vendors

$40M credit will permit merchandise replenishment



NHCN photo

President Alan Kane

by Elizabeth Brent and John Caulfield

MELVILLE, N.Y. — For most of the day, George Schwartz and David Levine waited for The Call.

The two men, vps of merchandising for Pergament Home Centers, anxiously camped by their phone on Feb. 26 to hear whether their company, which showed all the signs of teetering into bankruptcy, had successfully negotiated a restructuring of its debt acceptable to bank lenders and trade creditors.

Around 4:30 p.m., The Call came through. Pergament, according to knowledgeable sources, would convert to equity $94.5 million, or more than half, of its long-term funded debt. Vendors, which are owed around $25 million, would get 100 cents on the dollar over a 10-month period. And a new $40 million line of credit would allow the company to start buying merchandise again for its 32 stores.

"David and George immediately started calling vendors, and it's been nonstop," said

(Continued on page 49)

NHCN photo

***Dealers are** boosting their displays, instead of inventory.*

Quality succeeds quantity in kitchen cabinet display

Turnaround and service are stressed

by John Sinisi

NATIONAL REPORT — Ernest Folcarelli, kitchen manager for the Smithfield, R.I.-based Douglas Lumber, would have expected someone with a $500,000 home to spend upward of $25,000 on new kitchen cabinets. But recently, a retired couple with just such a home opted to buy cabinets made by Haas Cabinets of Sellersberg, Ind., for $12,000.

Folcarelli wasn't surprised at their choice; he is confident of the product's quality and style. But he does concede that tougher economic conditions are steering typically top-shelf customers to less expensive options.

(Continued on page 50)

NBMDA, NAWLA get serious about merging

Ill. — Inter- were estab- h to explore er of the Na- Material Dis- Association the North sale Lumber WLA).

WLA's exec- aid merger December. ations serv- ing many of the same distributors, Kent believed a combination would bring "economic benefits."

George Bryson, interim director of NBMDA, said both organizations were polling members: NAWLA has 650; NBMDA, 400. Combined, the associations' members would have sales of $20 billion, according to Kent. The two groups were still hashing out the details at the beginning of March.

In other news, Albert Leitschuh resigned as NBMDA's executive director on Feb. 21 to head a concrete distribution association in Indianapolis.

Bryson, former executive vp of a Chicago forest products distributor and past president of NBMDA, will head the NBMDA office through merger "discovery."

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SECOND CLASS

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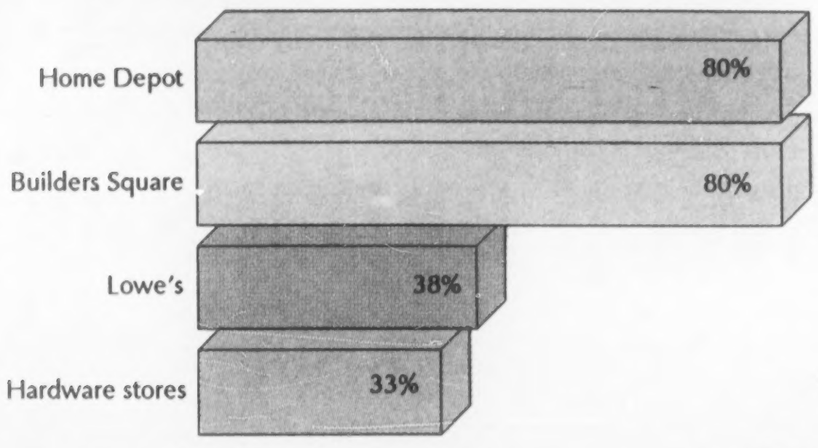
Builders Square hires TV star as spokesman p.4
Service sells kitchens and baths p.15

INDUSTRY STATS

Who is a discounter?

Percent of Purchasers Defining Hardware/ Home Improvement Stores as a Discounter



Source: Leo J. Shapiro & Associates — *NHCN* chart

More stores than you'd think, *according to new research conducted for* NHCN's *sister publication,* Discount Store News, *by Leo J. Shapiro & Associates, the Chicago marketing research group.*

More than 1,700 consumers were polled and, as the chart above shows, it appears the price image of a given retail chain determined the extent to which it was defined as a "discounter."

COMING ATTRACTIONS

The upcoming Power Department Reports *will focus on two staples that many retailers are expanding.*

On July 20, NHCN *will devote this section to lawn and garden products, including outdoor power equipment, live plants, water systems, decks, tools, outdoor lighting and barbecues. The special section will detail how home centers are gaining ground in this $16 billion market.*

On the heels of the National Hardware Show, the September 14 Report will hone in on the Hardware and Tools department and all its attendant merchandise such as fasteners, accessories, security hardware, hand and power tools, builders' hardware and ladders.

NEWS BRIEFS

Commerce hikes tariffs on Canadian timber

WASHINGTON — As expected, the Commerce Department has issued a preliminary ruling that increases duties on subsidized Canadian timber exports.

The March 6 decision imposed a 14.48 percent tariff on the lumber and moves the U.S. closer to establishing permanent duties, which are seen by Canadian officials as politically motivated.

About $2.7 billion in Canadian timber entered the U.S. in 1991, 74 percent from British Columbia. Only four provinces—Nova Scotia, New Brunswick, Newfoundland and Prince Edward Island—were exempt from the duties.

Commerce identified two subsidies: a 6.25 percent subsidy resulting from charging below-market prices on timber cut on public land, and an 8.23 percent national subsidy stemming from B.C.'s prohibition on exporting logs from public lands, which forces loggers to sell only to local mills.

The Canadian government, which will seek redress from the General Agreement on Tariffs and Trade, is particularly irked because Commerce, according to the *Wall Street Journal*, granted an exemption to only six of 314 Canadian firms that process U.S. logs.

Home Depot maintains top spot in 1991

ATLANTA — Home Depot outperformed the home improvement industry in spectacular fashion in 1991, as its sales rose 35 percent and its net income jumped 52 percent.

Revenues for the chain, which ended last year with 174 stores, exceeded $5.12 billion. In the fourth quarter, the company's sales jumped by 29 percent to $1.3 billion. Last year, the company opened 29 new outlets.

Home Depot's earnings figures were even more impressive, as its net income hit $249.2 million, or $1.20 per share. In the latest quarter, the chain's earnings rose 63 percent to $67.6 million, or 31 cents per share.

The company improved its annual inventory turnover to 6.1 times from 6.0 in 1990, and weighted average weekly store sales rose by 13 percent to $633,000. And, as it has done for the past several years, Home Depot increased its average sale by 5 percent to $35.13 per customer.

That figure contributed to the chain's comp-store sales increasing by 12 percent in the fourth quarter and 11 percent for the year.

H&C Timber names Moore's pres. to board

NHCN photo

Norm Darrer

ROANOKE, Va. — Norman Darrer, president and coo of Moore's, was appointed to the board of H&C Timber and Building Supplies on Jan. 1. This is the lumber division of Moore's British parent, Harrisons & Crosfield plc.

Darrer now represents the American interests of the company, which include the 58 original Moore's units and eight former Woodbury's, now under the Moore's name.

Darrer's responsibility increased earlier this year with the return of Moore's chairman, Brian Jermyn, to England. Darrer now oversees capital investments and is more involved in the search for acquisitions.

By working closely together, Moore's has seen how its parent serves the professional customers and how its road salesmen work.

Paneling legend, Manous, dies

NORFOLK, Va. — T. C. Manous, a pioneer in the paneling business, died Feb. 25. He was 65. The cause of death cited was complications from juvenile diabetes.

His career took him from head of design for the old Vanply Paneling Co. through Weyerhaeuser and, ultimately, to Plywood Panels Inc. Manous is credited with being the first designer to conceive of a decorator panel: wallpaper on a plywood substrate.

Manous spent 40 years offering his keen sense of customer preference and unique vision to the design of plywood paneling. And industry figures throughout the country paid him tribute.

"I think he was a front runner in the paneling business, a pioneer, and contributed a great deal to the industry," said Walt McColl, paint marketing specialist at Lowe's.

Jim Lavender, senior vp and general merchandise manager at Wickes Lumber in Chicago, remembered Manous for his unique understanding of retailers' needs. "His sensibilities were closer to the end-customer than anyone else I've known," he said.

Manous is survived by five sons and two sisters, Beverly Price and Pat Pheifer. Memorial services were held in Virginia Beach on Feb. 29, and in Charlotte, N.C., on March 3.

The Manous family requests that any donations be sent to the Diabetes Foundation, 5520 Greenwich Road, Suite 202, Virginia Beach, Va. 23462.

Busy Beaver creditors OK new plan

PITTSBURGH — Busy Beaver has come up with a reorganization plan that its secured and unsecured creditors can endorse, and the company could come out of Chapter 11 by April 1.

On Feb. 19, management of the 10-unit local home center chain and its creditors successfully negotiated revisions to a plan to restructure Busy Beaver's $21 million in debt. The chain filed the plan with the Pittsburgh District Bankruptcy Court last December.

Basically, the original plan provided for action against a lawsuit that the unsecured creditors were threatening to mount against Busy Beaver's leveraged buyout team (*NHCN*, July 8, 1991).

The full complement of creditors voted in favor of the plan by a two-thirds margin. As a result, the unsecured creditors' committee decided to agree on a settlement, terms of which were undisclosed.

The bankruptcy court scheduled a hearing on Busy Beaver's amended plan for March 31. If approved, the company will emerge from Chapter 11 the following day.